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STATE PLEASE PASS TO USTR (NED SAUMS, JEAN GRIER)
STATE FOR EEB, NEA/RA, AND NEA/ELA
CAIRO FOR AGCOUNS

E.O. 12958: N/A
TAGS: [ETRD](#) [ECON](#) [EAGR](#) [WTRO](#) [JO](#)
SUBJECT: UPDATE ON U.S.-JORDAN TRADE ISSUES

Refs: A) Pisani-Grier Email 9/10/07
B) Pisani-Saums Baltzan Email 6/15/07
C) 06 Amman 7770
D) 06 Amman 7676
E) 03 Amman 8359

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11. (U) This message contains action request for State, USDA, and USTR; please see paragraphs 5, 7, 10, and 15.

12. (U) Summary: The Government of Jordan (GOJ) seeks responses to several trade proposals under the rubric of the U.S.-Jordan Free Trade Agreement (FTA), as well as flexibility on a few multilateral trade issues. The GOJ would like to receive a response on its proposal for regional rules-of-origin cumulation, and begin the process of USDA pest risk analysis for Jordan's strawberries. The GOJ plans to participate in the October meeting of the Government Procurement Agreement (GPA) Committee, and intends to submit to USTR a revised offer for informal review by September 21. Jordan would also like flexibility in the upcoming World Trade Organization (WTO) negotiations in agriculture. The Ministry of Industry and Trade (MOIT) continues to examine the Caterpillar case, agreeing that the producer's sales agent does not need to be in the United States but indicating that the company may not have provided sufficient documentation to prove that the goods did not enter the commerce of an intermediate country. Post requests proposals for the date of the next JC meeting to take place in Washington. End Summary.

Regional Cumulation of Origin

13. (U) During a September 11 meeting with Econoff, Maha Ali, Director of the Foreign Trade Policy Directorate in MOIT, discussed various trade policy issues, many of which were raised during the September 2006 Joint Committee (JC) meeting for the U.S.-Jordan FTA and require USG action (Ref C). Per Ref C and the October 10, 2006 letter to A/USTR Donnelly by former Minister of Industry and Trade Sharif al-Zu'bi, MOIT continues to request feedback on the Jordanian concept paper on regional cumulation of origin submitted within the context of the JC. Specifically, the GOJ has proposed implementation of Article 13 of Annex 2.2 of the FTA through introducing a cumulation regime covering the United States, Jordan and other Middle East and North African (MENA) countries under which materials that are products of these countries would be counted for purposes of satisfying the origin requirement under the FTA. At a later stage, countries in other regions, such as Singapore, with which Jordan has a Free Trade Agreement, could be considered in the regional cumulation regime.

14. (SBU) Ali also indicated that Jordan and Israel have been discussing possible negative consequences for the Israeli-Jordanian

trade relationship and its ancillary political benefits if the QIZ concept peters out in 2010, when tariffs will be zeroed out under the U.S.-Jordan FTA (see Ref E). To address these concerns, Ali said that Israel and Jordan plan to submit a joint letter to the USG regarding cumulation of content in Jordanian goods with Israeli inputs.

¶5. (U) ACTION REQUESTED: Post requests an update on the status of the USG review of the regional cumulation proposal and any related talking points, particularly with regards to the issue outlined in paragraph 4.

Request for USDA Pest Risk Analysis

¶6. (U) As proposed in the JC, Ali noted that Jordan agreed to give strawberries priority as the first commodity to undergo the detailed pest risk analysis (PRA - Ref D). She requested that USDA begin the PRA process as soon as possible, noting that such certification is key for accessing the U.S. market, diversifying exports, and attracting investment. Post's Foreign Agricultural Service (FAS) Specialist has also received multiple inquiries from other GOJ interlocutors, including the Economic Advisor at the Royal Hashemite Court, as to what is hindering this process.

¶7. (U) ACTION REQUESTED: Post requests that USDA follow up with APHIS Center for Plant Health Science and Technology and the Jordanian Ministry of Agriculture to initiate the PRA process.

Caterpillar Case

¶8. (SBU) Per Ref A, the U.S. company Caterpillar has raised concerns about the Jordan Customs Department's (JCD) denial of FTA

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preferential treatment for U.S.-origin goods that have been shipped out of regional offices, particularly in Europe. Mahmood al-Rashdan, the Head of Trade Agreements and Rule of Origin Section in JCD, told Econoff June 12 that the Customs House verbally denied entry on the basis of Article 8(c)(ii) in Annex 2.2 of the FTA, claiming that the shipping documents did not list Jordan as the final destination, the producer's sales agent must be in the United States, and Caterpillar could not provide the necessary documentation to prove that the goods had not entered the "commerce of an intermediate country."

¶9. (SBU) In response to a diplomatic note asking for further GOJ clarification of the Caterpillar case and similar complaints raised by other U.S. companies, Ali told Econoff that MOIT determined that the producer's sales agent does not need to be in the United States and would instruct JCD accordingly. Ali believes, however, that there may be grounds for denial if the company cannot provide the proper documentation to show that the goods have not entered the commerce of an intermediate country. Ali promised to follow up with JCD to specify which documents are being required and whether the requirements would apply to every shipment via an intermediate country.

¶10. (U) ACTION REQUESTED: Post requests USTR guidance on requirements to meet Article 8(c)(ii) in Annex 2.2 of the FTA.

Coming soon: GPA Revised Offer

¶11. (U) Ali confirmed that Jordan will attend the next meeting of the GPA committee in October (Ref A). A national GPA committee is scheduled to meet on September 16 to review a revised offer based on the June discussions. Pending committee approval, Ali said Jordan will provide the draft revised offer to the United States for review. Ali commented that the MOIT will push for lower off-set provisions and the other concessions, but the GOJ would not be able to sign on to a phase-out unless the GPA Committee approves a SME proposal that would be applied when the thresholds and price preferences have ended. The USAID-funded SABEQ has offered assistance with drafting the SME proposal.

Request for Flexibility in WTO Agriculture Negotiations

¶12. (U) Regarding the September WTO negotiations on agriculture and NAMA (market access for non-agricultural goods), Ali reiterated the request to give Jordan flexibility in implementing modalities on specific provisions to cut tariffs, given that Jordan is in the unique position of having recently acceded to the WTO and being considered a Small and Vulnerable Economy (SVE). She also indicated that Jordan supported the U.S. position on food aid, and would like the possibility of benefiting from both in-kind and cash assistance.

DAMAN Officially Ended

¶13. (U) Ali confirmed that the DAMAN pre-shipment inspection program officially ended September 1, and the GOJ will inform the WTO accordingly (Ref C). She said that the Jordan Institution of Standards and Metrology (JISM) plans to implement a new market surveillance system, pending parliamentary approval of new amendments to the 2000 Standards and Metrology Law (No. 22), and would provide more details on the system shortly. COMMENT: Embassy will follow up with MOIT and JISM to obtain further information on the system and will report septel. END COMMENT.

Next Joint Committee Meeting

¶14. (U) In a previous, separate meeting, MOIT Secretary General Montaser Oklah told Econoffs that Jordan would not be able to hold the next Joint Committee meeting until after Ramadan and parliamentary elections. The earliest possible date would be December 2007.

¶15. (U) ACTION REQUESTED: Post requests date proposals for the next JC meeting in Washington.

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